

23 MARCH 2018

NEW FOREST DISTRICT COUNCIL

AUDIT COMMITTEE

Minutes of a meeting of the Audit Committee held in Committee Room 1, Appletree Court, Lyndhurst on Friday, 23 March 2018

* Cllr A D O'Sullivan (Chairman)

* Cllr J G Ward (Vice-Chairman)

Councillors:

* A R Alvey
* W G Andrews
* J D Heron

Councillors:

* Mrs E L Lane
R A Wappet
* C A Wise

*Present

Also In Attendance:

Mr K Suter, Ernst & Young LLP

Officers Attending:

A Bethune, Mrs R Drummond, A Harvey, Mrs N Message and A Rogers

Apologies

Cllr Wappet

38 MINUTES

RESOLVED:

That the minutes of the meeting held on 26 January 2018 be signed by the Chairman as a correct record.

39 DECLARATIONS OF INTEREST

No declarations of interest were made by any Members in connection with any agenda item.

40 PUBLIC PARTICIPATION

No issues were raised during the public participation period.

41 RISK MANAGEMENT - OVERVIEW OF ARRANGEMENTS

The Committee noted an overview the Council's risk management framework, in order to assess its adequacy and identify any opportunities for improvement. The process of risk management aimed to identify the significant risks that may impact

on the Council achieving its objectives. In addition to strategic risk management, illustrated through the strategy and strategic risk register, the framework included workplace health and safety, ICT disaster recovery, business continuity planning and operational risk management including the provision of third party insurance cover and claims handling. The report showed how portfolio and service plans linked with the strategic risk register and service risk registers. Risk management was embedded in a number of existing processes which, when brought together, provided a framework for the consideration and management of risk to enable informed decision making and support the Council in achieving its objectives.

RESOLVED:

That the Council's risk management arrangements as set out in the report be noted.

42 EXTERNAL AUDIT PLANNING REPORT 2017/18

The Committee received the external auditor's planning report for 2017/18. The external auditor set out the significant risks and associated actions to assess them. There would be significant testing, for example on capitalisation of revenue expenditure.

Reference was also made to the recent change to the portfolio structure and the need for budgets to be aligned with previous years, to allow comparability.

[On page 21 of the report, which dealt with materiality levels (the amount over which the external auditor anticipated misstatements would influence the economic decisions of a user on the financial statements), the gross expenditure on provision of services was stated as £66.8 million whereas the correct figure should have been £102 million.]

It was commented that the accounting deadlines under the new system had been brought forward giving less time to produce reports, which may contribute to errors. Accordingly it was important that there was good communication between external audit and the Council's Internal Audit and Accountancy sections about any material changes or new policies. A trial run was conducted in 2017 using the new format reporting deadlines, and the Council was only one week overdue with the new accounts.

RESOLVED:

That the report be noted.

43 INTERNAL AUDIT - PROGRESS REPORT AGAINST THE 2017/18 AUDIT PLAN & HIGH PRIORITY RECOMMENDATIONS

The Committee noted progress made in delivering the 2017/18 Internal Audit Plan, which was approved in March 2017. The report also provided an update on the progress with implementing high priority, overdue audit recommendations.

RESOLVED:

That the content of the report be noted.

44 INTERNAL AUDIT CHARTER 2018/19

The Committee considered the Internal Audit Charter for 2018/19, which defined the internal audit activities purpose, authority and responsibility, in line with the public sector internal auditing standards. It was noted that the Council had retained its own Corporate Fraud Officer as part of its local governance arrangements, which would allow close monitoring and identification of control issues.

RESOLVED:

That the Internal Audit Charter for 2018/19 be approved.

45 INTERNAL AUDIT PLAN 2018/19

The Committee considered the proposed Internal Audit Plan for 2018/19. The aim of the work programme was to provide independent and objective assurance to management in relation to the business activities, systems or processes under review that:

- The framework of internal control, risk management and governance was appropriate and operating effectively; and
- Risks to the achievement of the Council's objectives were identified, assessed and managed to a defined acceptable level

It was explained that, over a three year cycle, comprehensive audit coverage could be achieved using half the number of resource days than under previous arrangements, which the Internal Auditor felt was appropriate when compared with other partner authorities.

In answer to a question, the Audit Group Manager felt that the District Council's Executive Management Team were very supportive and there were good communications and relationships already developed.

RESOLVED:

That the Internal Audit Plan for 2018/19 be approved.

46 REVIEW OF FINANCIAL REGULATIONS

The Committee considered proposed revisions to the Council's Financial Regulations.

The current Financial Regulations had been in place for several years and were in need of review to ensure they reflected current policy and practice adopted by the Council.

The Peer Review recently undertaken also commented in their feedback that the Council should "review levels of decision making to empower managers and staff to deliver".

The revisions empowered Service Managers across the Council to make financial decisions in their service areas before the need to request formal approval for budget virements. Service Managers would be expected to consult and brief their respective Portfolio Holders on matters affecting their budgets on a regular basis. The document set out the responsibilities of Budget Responsible Officers and set new levels of authority for Portfolio Holders and Service Managers for virements and revenue expenditure limits at different thresholds. The Committee noted the need for a slight adjustment to paragraph 4.14.3, to be amended to the effect that the Portfolio Holder for Finance also be a consultee for capital virements between £50,000 and £240,000.

The Committee requested that the Regulations be reviewed by the Committee every three years.

RECOMMENDED:

That the revisions to the Council's Financial Regulations be adopted with effect from 17 April 2018 and thereafter be reviewed every three years, subject to the minor amendments made at 4.14.3 of the Financial Regulations, as set out above.

47 ANTI-FRAUD, BRIBERY AND CORRUPTION STRATEGY

The Committee considered a new Anti-Fraud, Bribery and Corruption Strategy to take effect from 17 April 2018.

The Committee noted that staff would be offered an e-learning package on the new Strategy, and the Strategy would be publicised in the Council's Home Talk Magazine so that residents could report any concerns.

RESOLVED:

That the new Anti-Fraud, Bribery and Corruption Strategy be adopted with effect from 17 April 2018.

48 WHISTLEBLOWING POLICY

The Committee considered an update to the Council's current Whistleblowing Policy, which had been updated to reflect changes to the Council's internal structure.

RESOLVED:

That the revisions to the Council's Whistleblowing Policy be adopted with effect from 17 April 2018.

49 **AUDIT COMMITTEE WORK PLAN**

The Committee considered its Work Plan for 2018/19.

CHAIRMAN